

Message Text

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FM AMEMBASSY RANGOON

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E.O. 11652: N/A

TAGS: ECRP, BM

SUBJECT: CERP 00004: SUMMARY BURMA'S ECONOMIC TRENDS REPORT

1. SUMMARY OF EMBASSY'S ANNUAL ECONOMIC TRENDS REPORT PRESENTED BELOW. FULL REPORT BEING POUCHED.

2. BURMA'S ECONOMY RECORDED MODERATE GROWTH IN 1974-75 AS DOMESTIC PETROLEUM RESOURCES AND A LOW LEVEL OF PARTICIPATION IN INTERNATIONAL COMMERCE PROVIDED A CUSHION AGAINST HIGHER WORLD OIL PRICES AND A GENERAL DOWNTURN IN GLOBAL ECONOMIC ACTIVITY. HOWEVER, REAL GDP GROWTH WAS VERY SMALL IN ABSOLUTE TERMS AND IN PERCENTAGE TERMS IT WAS ONLY SLIGHTLY HIGHER THAN POPULATION EXPANSION. THE ALL-IMPORTANT AGRICULTURAL SECTOR EXPANDED AT A LOWER RATE THAN THE OVERALL ECONOMY, BUT DUE TO EXCELLENT GROWING CONDITIONS PROSPECTS FOR THE PRESENT CROP YEAR ARE VERY GOOD; THIS SECTOR SHOULD LEAD BURMA INTO ANOTHER YEAR OF MODERATE ECONOMIC GROWTH IN 1975-76. THE COUNTRY'S AGRICULTURAL-BASED ECONOMY REMAINS LARGELY DEPENDENT UPON TWO EXOGENOUS FACTORS, THE INTERNATIONAL RICE MARKET AND THE WEATHER.

3. RESTRICTIVE IMPORT POLICIES HELPED NARROW BURMA'S UNFAVORABLE TRADE BALANCE LAST YEAR, AND PRELIMINARY FIGURES FOR THE FIRST HALF OF THE PRESENT FISCAL YEAR INDICATE AN UPTURN IN FOREIGN
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TRADE WITH EXPORTS EXCEEDING IMPORTS. INFLOWS OF FOREIGN LOANS

AND GRANTS PROVIDED A SMALL SURPLUS IN THE OVERALL BALANCE OF PAYMENTS, BUT BURMA'S TOTAL FOREIGN DEBT HAS DOUBLED IN THE PAST DECADE AND THE FOREIGN DEBT SERVICE RATIO IS ALARMINGLY HIGH. INFLATION, DUE MAINLY TO AN INCREASE IN MONEY SUPPLY TO FINANCE CHRONIC BUDGET DEFICITS, HAS BECOME BURMA'S MOST PRESSING ECONOMIC PROBLEM. MOST COMMERCIAL ACTIVITY IS CENTERED IN BURMA'S THRIVING BLACKMARKET CAUSING AN EROSION OF THE TAX BASE. ECONOMIC REFORMS REMAIN NECESSARY IF BURMA IS TO TAKE FULL ADVANTAGE OF ITS PLENTIFUL NATURAL RESOURCES AND WELL EDUCATED POPULATION.

4. THE GOVERNMENT CONTINUES TO PROHIBIT NEARLY ALL FORMS OF PRIVATE FOREIGN INVESTMENT AND THIS POLICY PLUS THE PRESENT ECONOMIC AND POLITICAL SITUATION DOES NOT HOLD MUCH PROMISE FOR U.S. INVESTMENT OPPORTUNITIES IN THE NEAR FUTURE. THE PROSPECT FOR DIRECT SALES OPPORTUNITIES IS MUCH BRIGHTER. LOANS FOR INTERNATIONAL FINANCIAL INSTITUTIONS FOR A VARIETY OF DEVELOPMENT PROJECTS WILL REQUIRE THE PURCHASE OF CONSIDERABLE CAPITAL EQUIPMENT, SPARE PARTS AND SERVICES, AND U.S. FIRMS ARE IN A GOOD COMPETITIVE POSITION TO OBTAIN A LARGE SHARE OF THESE CONTRACTS.
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